

NEWS FROM SCDCA

South Carolina Department of Consumer Affairs



Brandolyn Thomas Pinkston, Administrator

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FOR IMMEDIATE RELEASE

Fraud and Scam Warnings for South Carolinians

Columbia, SC..... The South Carolina Department of Consumer Affairs (SCDCA) has received enough phone calls from consumers recently to warn that two popular types of fraud are apparently making a return visit to the Palmetto State.

Advance Fee Schemes: Companies charge would-be borrowers upfront fees but never seriously try to find financing for their projects. The nation's housing slump and credit squeeze are resulting in a spike in reports of companies preying on frustrated borrowers who are having difficulty securing commercial loans through conventional sources.

SCDCA officials warn consumers to be wary of companies that request fees via a wire system, and of upfront fees. **Soliciting an Advance Fee in order to get a loan is illegal.** "If somebody tells you that they're certain they can get you a loan and wants to charge you in advance, that is prohibited by the Telemarketing Sales Rule," according to Brandolyn Thomas Pinkston, Administrator, SC Department of Consumer Affairs. "Collecting advance fees is also prohibited under South Carolina law."

It is illegal for companies doing business by phone or through ads in local or national newspapers to promise you a loan and ask you to pay for it before they deliver. A different breed of "loan shark" is preying on unwary consumers – taking their money for the promise of a loan, credit card or other types of credit. Consumers are most often lured to advance fee loans by advertisements and direct mail pieces that promise "guaranteed" loans or credit card approval, regardless of the applicant's credit history. The catch is that you have to pay an advance fee to receive the loan or credit card, but often, the loan or credit card does not materialize. In fact, often all the consumer receives is an application for the loan or credit card. The loan broker then pockets the advance fee and makes little to no effort to find the funds that they guaranteed.

If you can't obtain money or credit from conventional sources close to home – such as banks and credit unions – it's unlikely to be found through a classified advertisement, a brochure, a 900 number,

About the South Carolina Department of Consumer Affairs:

Established by the Consumer Protection code in 1974, The South Carolina Department of Consumer Affairs represents the interests of South Carolina Consumers.

Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education.

For more information, visit www.sccoconsumer.gov.

a poster on a telephone pole, or a telemarketing call. Think: Why would a far-away loan lender be more likely than a local financial institution to loan you money?

Loan fees such as application, appraisal, or credit report fees are normally paid to a legitimate lender *after* the loan has been approved, and typically deducted from the loan amount.

Some red flags consumers should watch for:

- A lender who isn't interested in your credit history.
- Fees that are not disclosed clearly or prominently.
- A lender who says they won't check your credit history, yet asks for your personal information, such as your Social Security number or bank account number.
- A loan that is offered by phone.
- A lender who is not registered in your state

Fake Check Scams: There are many variations of this scam. It could start with someone offering to buy something you advertised, pay you to do work at home, give you an "advance" on a sweepstakes you've supposedly won, or pay the first installment on the millions that you'll receive for agreeing to have money in a foreign country transferred to your bank account for safekeeping. Whatever the pitch, the person may sound quite believable.

The most recent reports to SCDCA concern checks for "administrative fees" for collecting lottery winnings. Consumers are contacted by postal mail and asked to deposit the enclosed convenience check, typically in the \$3,000 range, in their own bank and then call a toll free number for further instructions. Callers are told to wire the administrative fee to another location for processing. Consumers are urged to do this immediately to avoid unnecessary delays in collecting their winnings.

Since banks take as much as 10 days to verify the legitimacy of a deposited check, consumers who have fallen for the bait are out their own money, plus subject to a bank fine for insufficient funds. An alert upstate consumer called SCDCA when she spotted too many red flags, even though the check looked authentic and used the name of a respected financial institution. The "second chance win" was purported to be from a Canadian lottery. The Greenville businesswoman knew that she not only had not entered a lottery, but that international lotteries are illegal in the United States. SCDCA has forwarded the original communication and check to the US Postal Inspectors for further action.

There is *no* legitimate reason for someone who is giving you money to ask you to wire money back. Don't deposit it – report it! South Carolinians should report fake check scams to their local Postal Inspection Service (Columbia, Greenville, or Charleston), or contact the South Carolina Department of Consumer Affairs.

For more information, contact the Public Information Division at 803.734.4190, toll free in SC at 1.800.922.1594, or online at www.sconsumer.gov.

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